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# AICPA *Washington Report*

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## **FEDERAL COMMUNICATIONS COMMISSION**

Revision of the Uniform System of Accounts for Telephone Companies is the title of a Report and Order from the FCC (see the 11/25/85 Fed. Reg., pp. 48408-17). According to the notice, the Commission has determined that generally accepted accounting principles (GAAP) should be incorporated into the proposed Uniform System of Accounts being developed in CC Docket 78-196 to the extent that regulatory considerations allow. The action will bring the telephone carriers' accounting systems closer to the accounting which is followed by a great majority of the American business." For further information contact Gerald Vaughan at 202/634-1861.

## **FEDERAL HOME LOAN BANK BOARD**

"Where goodwill has been included in the resulting association's assets, the applicant must submit an opinion of a certified public accountant.....," according to a provision in a final rule regarding Delegated Merger Approvals, recently issued by the Federal Home Loan Bank Board (See the 11/26/85 Fed. Reg., pp. 48725-31). The FHLBB final rule will amend its regulations which delineate the authority of its Principal Supervisory Agents (PSAs) to approve applications involving mergers, consolidations, bulk transfers and other transfers of assets and liabilities of thrift institutions whose deposits are insured by the FSLIC or FDIC. As regards the treatment of goodwill, the rule states that "where goodwill has been included in the resulting association's assets, the applicant must submit an opinion of a certified public accountant satisfactory to the Principal Supervisory Agent, that its use and value are appropriate under, and accounted for, by generally accepted accounting principles". The effective date of this rule is 12/23/85. For further information contact R. Penfield Starke at 202/377-6453.

## **GENERAL ACCOUNTING OFFICE**

Changes to the Bank Secrecy Act are being considered by the IRS, according to a recent GAO Report, "Tax Administration - Information on IRS' Criminal Investigation Division." The report noted that the Bank Secrecy Act is the major tool the Criminal Investigations Division (CIS) uses to investigate money laundering. The Act requires financial institutions to file a currency transaction report for every transaction over \$10,000. Although currency transaction reports have helped track the flow of illegal funds, criminal investigative agents "suggested that additional authority would enhance their effectiveness in combatting two common practices in money laundering that are not illegal under the Act.", the report said. Suggested reforms include making it illegal for an individual to circumvent the currency transaction report requirement by making monetary transactions of less than \$10,000 in several financial institutions, or at several branches at the same institution in one day, or by conspiring with officials of a financial institution. Additionally suggested, is that forfeiture authority be granted to allow IRS to seize funds and property associated with illegal money laundering activities. Further, a forfeiture fund should be created from seized money to cover agency expenses related to storing and using seized assets; According to the report, without such a fund, "the costs related to forfeiture would place a serious strain on CID's budget." Additionally, the report noted the GAO is conducting other investigations on money laundering at the request of Congress. One such assignment deals with the effectiveness of regulatory agencies' examination of financial institution compliance with the Act, which is scheduled for release in March, 1986. Copies of the November report may be obtained by contacting the GAO at 202/275-6241, and requesting document GAO/GGD-86-23FS.

## GENERAL ACCOUNTING OFFICE

"Certain reported problems" at the Internal Revenue Service's Philadelphia Service Center (PSC) are discussed in a recent GAO Publication, a response to a 4/15/85 request from several U.S. Senators. GAO Document GGD-86-25FS, dated 11/85, contains no conclusions or recommendations on the part of the GAO, which indicated that it is continuing work at PSC, and in response to a request from a Ways and Means Oversight Committee, is also looking at the IRS' nine other service areas. Contents of the GAO report include sections on: Control over Tax Returns; Factors Contributing to Inventory Backlogs at the PSC; Incidents involving "lost" Documents at PSC; Refunds; and Correspondence Inventory.

## INTERIOR, DEPARTMENT OF

C. Dale Duvall, CPA has been nominated by President Reagan to be the Commissioner of Reclamation at the Department of Interior. Mr. Duvall, who is currently serving as Vice President and Treasurer of the Overseas Private Investment Corporation will succeed Robert N. Broadbent. Mr. Duvall has served as White House Liaison at the Community Services Administration in 1981, and as a staff member in the office of the President-elect. From 1965 to 1980 he was partner and managing partner at the CPA firm of Morris, Lee and Co. in Spokane, WA, which is now Pannell, Kerr & Forester. Mr. Duvall, a member of the AICPA since 1968, served on the Institute's Members in Government Committee from 1982-1983. Mr. Duvall graduated from Kinman Business University in Spokane in 1960. The Senate Committee on Energy and Natural Resources has not yet scheduled a confirmation hearing for Mr. Duvall.

## NATIONAL CREDIT UNION ADMINISTRATION

"Repurchase Agreements of Depository Institution with Securities Dealers and Others" is the title of a supervisory policy adopted by the NCUA upon the recommendation of the Federal Financial Institutions Examination Council (see the 11/25/85 Fed. Reg., pp. 48372-74). The supervisory policy, effective 11/14/85, expands requirements for federal credit unions under NCUA's Rules and Regulations, Part 703-Investment and Deposit Activities and sets out the guidelines which are recognized to be safe and sound practices when engaging in repurchase and reverse repurchase transactions. For further information contact Donald Sorrels at 202/357-1065

## SECURITIES AND EXCHANGE COMMISSION

Business Combination Transactions; New Registration Form for Investment Companies is the title of an adoption of form, rule and rule amendments, according to a recent notice from the SEC (see the 11/25/85 Fed. Reg., pp. 48379-95). The SEC, according to the notice, is adopting Form N-14 for the registration of securities issued by investment companies in business combination transactions. In the section entitled Pro Forma Financial Information, the Commission continues to believe that pro forma financial statements present information about the two companies in a manner which permits comparison of the two funds, including portfolios, that enables investors to assess whether the two funds to be merged are similar in terms of their actual investments and shows the extent the two portfolios "mesh" or fit together. Historical financial information may be useful because it presents audited information about the funds over a large period of time. In Form N-14 as adopted, pro forma financial statements are required in the Statement of Additional Information rather than in the prospectus provided the requirements specified in Instruction F for making information available on request are met. This follows the approach of Form N-1A and differs from that of

Form S-4 when Regulation S-X pro forma financial statements are required in the prospectus. In addition, the form contains an exception as to the requirement that pro forma financial statements be included in the registration statement. As discussed in the proposing release some investment company mergers involve the acquisition of a company which is much smaller in size than the acquiring company. The larger company may acquire a private, personal holding company or a registered investment company which has proven to be too small to operate economically. Preparations of the pro forma combined financial statements does not, in such circumstances, appear to provide significant assistance to shareholders, but can add more significant costs to the companies involved. Item 14 as proposed and adopted would not require pro forma financial statements if the net asset value as of the company being acquired does not exceed ten percent of the registrant's new asset value as of a specified date within thirty days of the filing of Form N-14. The effective date for Form N-14 and the related rule and rule amendments is 2/1/86. For further information contact Mary Podesta at 202/272-2107.

#### **TREASURY, DEPARTMENT OF**

A revised compilation of Regulations Governing the Practice of Attorneys, Certified Public Accountants, Enrolled Agents, and Enrolled Actuaries before the Internal Revenue Service, is currently available from the IRS. Single copies of Treasury Department Circular No. 230 (revised 9/85) are available from the IRS Office of Director of Practice, 1111 Constitution Avenue, N.W. PM:HR:DP, Room 1416, Washington, D.C. 20024, or by calling 202/535-6796.

#### **SPECIAL: MEASURE INTRODUCED TO STAGGER DEADLINES FOR FILING INCOME TAX RETURNS**

Legislation intended to alter the filing deadline for income tax returns was introduced on 11/14/85 by Rep. George Gekas (R-PA). The proposal, HR 3760, would stagger the income tax deadline date across the 12 months and create a "birthday-based" filing system. In a letter to Ways and Means Chairman Dan Rostenkowski (D-IL), Rep. Gekas suggested the staggered filing concept should be reviewed during Ways and Means deliberations of an omnibus tax simplification measure. According to Rep. Gekas, "to review changes in the tax law without giving strong consideration to changing the collection system would not be a thorough examination of tax simplification." The legislation would require a taxpayer whose birthday falls between 1/1 and 4/30 to file by 4/15. Individuals whose birthdays fall between May and December would be required to file by the last day of their birthday month. Joint filers would choose one birthday as their joint filing date. As with current law, any taxpayer could file prior to the required deadline.

**For further information contact Gina Rosasco, Shirley Hodgson, or Nick Nichols at 202/872-8190.**

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